



# City of Culver City

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## Staff Report

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**CC - CONSENT ITEM: Receipt and Filing of Measure CC and Measure C Sales Tax Status Reports (FY 2023-2024, Second Quarter) and Real Property Transfer Tax Status Report (FY 2023-2024, Third Quarter), as Approved by the Finance Advisory Committee.**

**Meeting Date:** June 24, 2024

**Contact Person/Dept.:** Lisa Soghor/Finance Department

**Phone Number:** (310) 253-5865

**Fiscal Impact:** Yes  No

**General Fund:** Yes  No

**Attachments:** Yes  No

**Public Notification:** (E-Mail) Meetings and Agendas - City Council (06/19/2024); (Email) Meetings and Agendas - Fiscal and Budget Issues (06/19/2024)

**Departmental Approval:** Lisa Soghor, Chief Financial Officer (06/18/2024)

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### **RECOMMENDATION**

Staff recommends the City Council receive and file the attached Measure CC and Measure C Sales Tax Status Reports (FY 2023-2024, Second Quarter) and Real Property Transfer Tax Status Report (FY 2023-2024, Third Quarter), as approved by the Finance Advisory Committee (FAC) on May 8, 2024.

### **BACKGROUND/DISCUSSION**

In November 2012, Culver City residents voted to adopt Measure Y, a half cent transaction and use tax to maintain critical City services for the next 10 years. In March 2020, Culver City residents voted to adopt **Measure CC** to continue the half cent tax through 2033. The FAC Work Plan states that the FAC will "continue to provide quarterly reports to the City Council on Measure CC proceeds."

In November 2018, Culver City voters passed **Measure C**, a quarter cent local transaction and use tax to maintain the current level of public safety services, community programs, infrastructure maintenance, and other City services funded through the City's General Fund. Measure C collections began in April 2019 and will remain in effect until ended by voters. The ballot measure included the stipulation that, if passed, the FAC would provide quarterly reports of fund proceeds to the City

Council.

The FAC Work Plan includes the review of Measure C and CC proceeds.

The California Department Tax and Fee Administration (CDFTA) is responsible for administering sales and other taxes for the entire state. Due to the time that it takes the CDFTA to collect sales tax, reconcile amounts received, remit payment and report quarterly sales tax data, the Measure CC and Measure C reports for review this period cover the **Second Quarter of Fiscal Year 2023-2024 (October 1 - December 31, 2024)** or the fourth quarter of the calendar year. FAC and staff worked with the City's sales tax consultant, HdL Industries, to prepare the report and continue to refine them. The report is provided as Attachment 1.

The City's Measure CC and Measure C actual tax receipts were down 4.1% from the same period in 2022 after adjustments for reporting aberrations were made. The City's regional dealership sales plunged 18% compared to the Statewide decline of 7.7%. Culver City's transaction tax receipts were down more than the County overall which experienced a 2.6% decline.

On May 8, 2024, the FAC reviewed and approved the report.

Additionally, the FAC has requested to review and transmit a **Real Property Transfer Tax Status Report** to the City Council. The Real Property Transfer Tax (RPTT) is a one-time tax imposed by the City when property is sold in Culver City. As a result, this revenue source is highly elastic and unpredictable.

RPPT are issued directly to the City from Los Angeles County. As a result, the reporting for RPPT data does not have the same delay as the sales tax collected and administered by the state. Therefore, the RPTT report for review this period covers the **Third Quarter of Fiscal Year 2023-2024 (January 1 - March 31, 2024)**.

The results from the third quarter of Fiscal Year 2023-2024 continue to demonstrate the unpredictability of this revenue source. The City received \$2.6 million in RPPT during this period as compared to \$719,902 in 2023 and \$19.1 million in 2022. Economic factors including high interest rates, shifting lending policies and low inventory continue to have a cooling effect on the real estate market; however, one large commercial property sale contributed to higher revenue than the same quarter in the prior year. Based on the receipts to date, City staff did not adjust estimates of \$8 million for this revenue at midyear. The report is provided as Attachment 2.

## **FISCAL ANALYSIS**

The receipt and filing of these reports do not create a fiscal impact.

## **ATTACHMENTS**

1. Measure CC & Measure C Status Report (FY 2023-2024 Q2)
2. Real Property Transfer Tax Status Report (FY 2023-2024 Q3)

**MOTIONS**

That the City Council:

Receive and file the Measure CC, C, and Real Property Transfer Tax Status Reports.